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DEVELOPMENT IN WESTERN ASIA

Economic growth was dismal in the Western Asia region in 1998. Real GDP per capita registered a negative 1.6 percent growth rate after positive growth rates in the preceding two years. Can there be sustainable economic growth in a region so deeply affected by political turmoil? In this edition of **World Chronicle**, Hazem El-Biblawi, Executive Secretary of ESCWA, the United Nations Economic and Social Commission for Western Asia, discusses the future outlook for political and economic development in this region.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues.

Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**. The lowest oil prices in 20 years have drastically reduced economic growth in the Arab Middle East says a recent report prepared by ESCWA, the United Nations Economic and Social Commission for Western Asia. The report indicates that economic recovery in the region depends on rising crude oil prices, lifting of UN sanctions imposed on Iraq, advancing Arab/Israeli peacemaking and the implementation of widespread economic reforms. But with the rapid increase in unemployment, and inflation, can we expect an economic upturn in the near future?

Our guest today is an expert in the work of the Commission as well as the economic and social affairs of the region. He is Hazem El-Biblawi, Executive Secretary of ESCWA. Joining me to talk with Mr. El-Biblawi is Thalif Deen of *Inter Press Service* and Afsane Bassir Pour of *Le Monde*.

Mr. El-Biblawi, welcome to **World Chronicle**.

EL-BIBLAWI: Thank you.

LITTLEJOHNS: Mr. Executive Secretary, it's surely a very unhealthy situation that an entire region should be so dependent on one commodity and it doesn't seem that in the near future the price of oil is going to change that much to improve their economic position. What are your comments on this reliance on oil?

EL-BIBLAWI: The problem of the region as you rightly mentioned is that it is too dependent on one commodity. In one aspect there is a manifestation of this increasing interdependence, that the region is fully integrated in the world through one strategic commodity. However, it's too dependent to the extent that it's becoming unhealthy as you mentioned. And the whole effort of economic development is precisely to diversify the economy, to find other sources for revenues, and we have to make a distinction between two kinds of sub groups in the region. The oil-producing, the Gulf, who are mainly dependent on oil, they are also characterized by very low

population and almost non-existence of other natural resources, so it is very difficult to develop other sources of income. At one time they were thinking of developing another source to help alleviate the dependence on oil by building a portfolio of investment, and just before the Gulf War, the second Gulf War, some of the countries in this region were getting income from their investments abroad equivalent to their income from oil. In particular, I mention the case of Kuwait. But, of course, the Gulf War and the subsequent decline in oil prices had depleted a lot of this overseas investment. If we look into the other countries in the region, which are slightly dependent in oil, they have a more diversified basis -- like Egypt, Syria, Iraq. Iraq is an interesting case because it combines a country with an oil base as well as other.... But of course the political situation in Iraq did not help.

LITTLEJOHNS: What's your feeling about-- I made a perhaps rash statement that the price of oil is not likely to rise in the near future. Perhaps you have another opinion and maybe it will rise before the end of 1999 perhaps?

EL-BIBLAWI: For the long run it's very difficult to make a prediction but for the short run there is so much in strategic reserves outside that it will be rather difficult to expect a significant increase in prices. I would imagine that the prices that we are facing today are at the lower level and eventually they can be increased to something between 11 and 13 dollars a barrel. But to have significant increase in the short run, given two factors, given the amount of reserves that are stocked outside, given the fact that there is an increasing pressure on many producing countries to produce more, within OPEC and outside OPEC, given the fact that who knows if Iraq comes back to producing so there is oversupply.

LITTLEJOHNS: I read a report in the *Wall Street Journal* a few days ago quoting one of the top oil men in the United States, the head of Atlantic Richfield, I think, saying that oil is sort of on its last legs and the next 15 years will see the end of oil because of the enormous price that's paid in terms of the environment, pollution, etc., etc. Do you think that this is a valid judgement?

EL-BIBLAWI: I think that history taught us that it's very difficult to make

such a kind of diagnostic about the future of energy. I remember that one of the major books came in '72 about the future of oil and they were thinking that their oil prices have no way but to come down. This was almost nine months before the first oil. I think that energy will become very important, I think that oil will be needed, but the important thing about the region is that it is rich in oil but it is rich in another thing which can make the region come back also in energy. This is one of the richest region in terms of sun and when--

LITTLEJOHNS: Solar power you're talking about?

EL-BIBLAWI: Solar power. And this is needed to have technological improvement which makes solar energy commercial. So I don't think that the region will be discounted in as far as its contribution to energy.

LITTLEJOHNS: So you might be exporting sun power somewhere down the road?

EL-BIBLAWI: Well at that time sun will be the ultimate solution for the energy problem because it's clean, it's available to everyone. I don't think it will be needed to export or to import. But it makes the region still have a future for the....

BASSIR POUR: Before we get to sun I'd like to go back to oil. In your report you say that falling oil prices is a major factor for lack of economic growth in your region. You also say that economic recovery hinges, partly, on the lifting of the sanctions on Iraq. Now if Iraq comes back into the oil market and sells oil wouldn't that lower the price of oil even further?

EL-BIBLAWI: Could be.

BASSIR POUR: So how can that be a factor for recovery?

EL-BIBLAWI: In the report we mention the factors which affected the economic performance negatively in the region. One of them is the low oil prices. So in as far as oil prices are low the region will suffer be it because of Iraq coming back or for other reasons. The sanctions are affecting part of the region, of course affecting the Iraqis peoples, but it's also important to remember that it's affecting other people than the Iraqis. For instance ,a country like Jordan, they have very close economic relations

with Iraq and their economic activity to a great extent is dependent on the activity of the Iraqis. But if the Iraqis come to the markets first of all I don't think that they will add too much output because it will take them another year or two before they can rehabilitate their capacity to produce. And it depends what will happen to the other producers if they have to adjust for the Iraqi come back or if they don't. I think one of the problems is that OPEC now, they are not as powerful as they used to be in the past in terms of keeping discipline within OPEC members and even so with the members outside OPEC. OPEC policies for controlling production is not successful any more.

DEEN: Mr. Biblawi we have been focusing on oil. As we know the Middle East has been important politically, economically and strategically because of oil. But there are predictions that the next war in the Middle East will be fought not on oil but on water. How far is this valid?

EL-BIBLAWI: Well this is very, very valid. As I mentioned a few minutes ago this is a region which is characterized by being energy-rich, be it in oil or eventually in solar energy. But in terms of water this is an arid region or semi-arid and water is becoming a very difficult issue for the region in the future. And the two are not disassociated because to a great extent the problem of water resources will depend on the availability of cheap energy because the only solution for water in the Gulf is desalination and desalination is a trade-off between the cost of energy and the cost of water. So in as far as there is cheap energy and available energy the area can overcome its problem of water by desalination.

DEEN: Are they meeting their domestic requirements of water just now through desalination?

EL-BIBLAWI: Yes. Most of the countries are meeting their domestic requirement in water by desalination, by using underground water. But there is some need for caution in the future; one, because the question of costing is not taken into consideration with due attention and I think in the future the oil producing countries cannot just ignore the cost element. But more importantly, I would say that for pumping of underground water it's starting to reach the point of danger in terms of the quality of

water and its effect on the environmental aspect. They sometimes are over pumping, there's no replenishment, so I think the time has come that water be given the utmost attention, be it in developing other sources of water, be it the utilization of available water, be it the management of water resources in terms of environment, in terms of the quality of water because water is not simply the amount, quantity of water, but also some quality that has to be protected for the users.

BASSIR POUR: Just to change subjects a little bit, how much of their income do the countries of the region spend on armament? Is this a major factor?

EL-BIBLAWI: Yes, unfortunately yes. This is why it's a very complex situation. It's related to the political situation, to the instability. And if you see the-- I think the region must have the highest percentage of expenditures on armament compared to other regions. If we could afford this in the past, given the very difficult economic conditions, I think there is a need to reconsider this. However, this is also related to a bigger issue which is political stability and peace in the region.

LITTLEJOHNS: This is **World Chronicle**. Our guest is Hazem El-Biblawi, Executive Secretary of ESCWA. Mr. Biblawi, speaking of the political situation, the peace process between Israel and the Arab countries seems to be more or less grinding to a halt. We mentioned that there's need for a political settlement to improve the economic situation of the region, what's your feeling about that? Do you think that it's likely to pick up again?

EL-BIBLAWI: Two things. First of all I think this is a region which needs more than any part of the world peace and security. There is no doubt about it. Everyone recognizes and it is in the best interest of everyone. And unfortunately the peace process during the last two or three years have been facing serious problems -- almost a set back. However, I think, and I am venturing this idea, that perhaps the death of King Hussein will bring some hope and I think that suddenly some of the politicians....

LITTLEJOHNS: You mean as a sort of tribute to his memory as a peacemaker?

EL-BIBLAWI: Oh no, no, no, no. I think that people discovered that the number of moderate leaders in the region are disappearing and time is running out. And all of a sudden if we don't have the kind of King Hussein who is understandable, who can keep his population, who can make a courageous step towards peace, if we lose them one after the other it will become extremely difficult to find a situation that is ripe to make major decisions. So I would imagine that whatever King Hussein contributed to peace during his life, perhaps he will be still able to contribute by his death because he reminds the other parties that the situation is becoming very serious if we lose moderate leaders one after the other and then it will become extremely difficult to find the kind of people who can make these decisions.

DEEN: Mr. Biblawi, you spoke about the arms purchases in the Middle East and military spending. I know the Middle East is one of the largest buyers of weapons -- you know they're one of the world's largest buyers -- and I'm sure it has a tremendous impact on the countries' economy when you divert resources from the military to economic development. Why isn't it that your report -- I am subject to correction -- does not deal with that aspect of military spending in the Middle East?

EL-BIBLAWI: I think we should give it more attention and I agree that military expenditure has more impact than even what you said. It is not only diverting the resources from civilian developmental purposes into military purposes, which are after all unproductive, but also I think they have an impact on the institutions that this can affect democracy, this can affect the spread of human rights, it can affect the kind of society we are living in. But it's intricately linked together. You cannot disassociate one element while this instability prevails.

DEEN: It must be one of the most sensitive political issues in the Middle East?

EL-BIBLAWI: Absolutely, absolutely.

BASSIR POUR: Now we talked about oil prices amongst the factors that you mentioned in your report -- oil prices, armament -- how do you rate the health of the social policies of these countries? I mean does the fact that economic growth has been

less than usual have something to do with their social policies?

EL-BIBLAWI: It's a mixed situation. If we look over a span of time of 10 years I think the region has made major strides in terms of social development. If you look in terms of education, in health, in infrastructure, in social security, particularly in the Gulf, they have achieved remarkable results in the area of social development. The problem is to what extent this can be sustained in the future given the decrease in oil prices and the decline in the budget revenues. But in this regard I would say in terms of education, women participation, illiteracy, health services, there is tremendous improvement in the region -- all over. It's more so in the Gulf because they started from a lower base but this is remarkable. There is less in terms of political development but this is also understandable given the complexity of the situation.

BASSIR POUR: You said that women, in your report also, you say that women are victims of the unhealthy economic situation right now. How is that?

EL-BIBLAWI: You know when things are not moving in the right direction there are always certain segments of the society which are usually hit more. Women are one of this. When there is poverty the marginalized groups -- women are among them -- they suffer more than others. Also people in the countryside suffer more. So women as one of the less favoured social groups are usually more affected by the decline of the economic activity. However, also it depends on the time span you are taking. If you look on a time span of 10 years you'll find that women have increased their economic participation in terms of employment, in terms of education, in terms of improving her--

BASSIR POUR: In the region?

EL-BIBLAWI: In the region. There is no doubt about this.

DEEN: Mr. Biblawi, against a backdrop of what's happening in Iraq what are your views on UN economic sanctions as a political weapon against countries?

EL-BIBLAWI: I don't think that economic sanctions have in the history achieved any tangible results. They can create inconvenience, they make the people suffer, not the regime. They induce a sort of corruption, contraband and traffic so on

the whole i wouldn't think that economic sanctions are a very effective means to bring about the results that are targeted. But they bring about other results. For instance, they increase corruption, they increase suffering of the people whom you don't want to hit and sometimes they even strengthen the political popularity of the regimes you intend to undermine because they become subject of victims, as sieged underdogs. Sympathy always goes with the--

BASSIR POUR: We can't see anymore economic sanctions. I want to go back to the Economic and Social Council of the UN, ECOSOC, here. It seems to be a very marginalized organ of the UN. Now with a new president, Ambassador Fulci of Italy, he's bent on renewing, reviving ECOSOC and he says ECOSOC needs a renaissance. Do you think this could be done? Do you think ECOSOC can become a major decision making organ here?

EL-BIBLAWI: It should but it all depends on the member states. This is an organ which is moved by what member states..... This is an organ owned by the member states. Unfortunately, in the last 50 years, emphasis was put on the political/security aspect in the UN rather than on the economic and social aspects. I think now people have started to realize and even among governments, and even public opinion, they start to realize that the UN is not simply something for peace and security. It even can play even equally important if not more important in the area of economic and social. But this would need full action, concerted action from the member states. Of course, having a new chairman determined with vision is a positive element but by itself it's not enough unless he is fully supported by an activist group of member states who want to make ECOSOC a forum to discuss seriously the economic problems and to take decisions in this then.... So it's a long process.

LITTLEJOHNS: Mr. Biblawi the Western Asian region is known for the very large number of authoritarian regimes, what can ESCWA do to encourage the development of democracy in the region? After all, democracy is something that the United Nations likes to stand for and presumably you, as one of the principal presences in the area, can do something about that.

EL-BIBLAWI: Let me first say that when you say Western Asia it is not very familiar for people. Western Asia--

LITTLEJOHNS: The Middle East.

EL-BIBLAWI: For practical it is the Middle East.

LITTLEJOHNS: But that's the name of your Commission?

EL-BIBLAWI: Yes, yes I know, I know, but I don't think that all the viewers are aware that this is. And let me refer to two things. First of all, I have a specific mandate which is in the economic and social development and cooperation, so political development is not explicitly part of my mandate. But as you mentioned this is part of the mission of the UN and also you cannot have economic and social development in the absence of a healthy political environment where there is democracy, where there is full respect of human rights. This is being done through many things. We are not an organization which can dictate. This is an inter-governmental....

LITTLEJOHNS: You advise of course?

EL-BIBLAWI: Advise but more importantly to create awareness and to publish information to draw the attention to. So I think through our work where we make it very clear that development cannot be looked upon in a narrow sense, there is no such thing like economic development or social development or cultural development or political development. It is an integrated approach, institutional, where everything is supporting everything else. So unless you have an open mind where development will take care of the social aspect of the cultural, of the economic, but no less important the political aspects. But on the other hand we have to do this very carefully and very tactfully because our success depends in the first place on the reception of our member states. If our member states say well we think that these guys are doing the wrong thing we will be unable to do anything. So we have to do it with the proper dosage. We have--

LITTLEJOHNS: The proper what? Dosage?

EL-BIBLAWI: Yes. Dosage. Ça existe?

BASSIR POUR: Yes.

EL-BIBLAWI: So we have to do it subtly, intelligently. We have to appeal and more importantly we should have this long range, long run much more important than what we bring in the immediate.

LITTLEJOHNS: Mr. Biblawi I'm afraid we'll have to leave it there. That's all the time we have. Thank you for being with us on this edition of **World Chronicle**. Our guest has been Hazem El-Biblawi, Executive Secretary of ESCWA. He was interviewed by Thalif Deen of *Inter Press Service* and Afsane Bassir Pour of *Le Monde*. I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle.**